



Arnold Schwarzenegger
Governor

September 10, 2010
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Ms. Kathy Kossick, Executive Director
Sacramento Employment and Training Agency
925 Del Paso Blvd.
Sacramento, CA 95815

Dear Ms. Kossick:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Sacramento Employment and Training Agency's (SETA) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Jansson from June 15, 2009 through June 19, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by SETA with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of SETA, a review of applicable policies and procedures, and a review of documentation retained by SETA for a sample of expenditures and procurements for PY 2008-09.

We received your response to our recommendation to revise SETA's Procurement Policy and Procedures, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed the concerns, no further action is required and we consider the issue resolved.

BACKGROUND

The SETA was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, SETA was allocated: \$3,390,952 to serve 23,602 adult participants; \$4,053,092 to serve 898 youth participants; and, \$3,677,587 to serve Dislocated Workers. The SETA transferred 100 percent of its Dislocated Worker (DW) funds to the Adult program; therefore, Dislocated Workers will be served as Adults in PY 2008-09.

For the quarter ending March 31, 2009, SETA reported the following expenditures and enrollments for its WIA programs: \$3,337,272 to serve 5,873 adult participants; and \$3,665,138 to serve 838 youth participants.

FISCAL REVIEW RESULTS

We conclude that, overall, SETA is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we conclude that, overall, SETA is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of small purchase policy and procedures. The finding that we identified in this area is specified below.

FINDING 1

Requirement: Office of Management and Business (OMB) A-87, Section C(1)(e) states, in part, that costs must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. Additionally, subsection (j) states that costs must be adequately documented.

29 CFR Part 97.36(d)(1) states, in part, when small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

29 CFR Part 97.36(f) states, in part, that grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. Additionally, a cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, including contract modifications.

U.S. Department of Labor Employment and Training Administration's Comprehensive Financial Management Technical Assistance Guide, Chapter 11-10 states, in part, that while the Federal threshold for small purchase is currently \$100,000, the locally imposed threshold may be substantially smaller, and grantees/subgrantees must adhere to the lower threshold.

Workforce Investment Act Directive (WIAD) 00-2 states, in part, that small purchase means the acquisition of goods or services that do not cost more than \$50,000 in the aggregate.

Observation:

We observed that SETA's Procurement Policy and Procedures manual states that, for small purchase procurements of less than \$3,000, only one quote or price is required. The SETA staff stated that they believe their policy is consistent with Federal and State requirements, including WIA's small purchase requirements.

We also observed that SETA's Procurement Policy and Procedures manual defines small purchase as being less than \$100,000 which does not reflect the State imposed limit of \$50,000. Further, even though SETA states it observes the WIA's small purchase ceiling of \$50,000 in practice, their policy continues to state \$100,000 as the small purchase limit.

Recommendation:

Although no specific violations of these requirements were found in PY 2008-09, past reviews have found violations of these federal and state requirements. Therefore, in order to avoid potential disallowed costs, we recommend that SETA revise their small purchase procurement policy and procedures to include the language that a cost or price analysis shall be completed for every small purchase procurement, including purchases between \$0 and \$2,999. We also recommend that SETA revise its small purchase procurement policy and procedure to comply with the State's \$50,000 small purchase limit.

Subsequent to the review, SETA received WIB approval for the recommended revisions and provided CRO copies of the approved Procurement Policy and Procedures. Therefore, we consider this finding closed before draft.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is SETA's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain SETA's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Greg Gibson, MIC 50
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